

**ALPINE CITY, UTAH
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2007**

ALPINE CITY

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ALPINE CITY

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INDEPENDENT AUDITOR'S REPORT

August 31, 2007

**Honorable Mayor
Members of the City Council
Alpine City, Utah**

Council Members:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Alpine City, Utah (City) as of and for the year ended June 30, 2007, which collectively comprise the basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated August 31, 2007 on my consideration of Alpine City, Utah's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Alpine City's basic financial statements. The combining nonmajor fund financial statements and the schedule of impact fees described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The schedule of impact fees has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on it.


Greg Ogden
Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

• MANAGEMENT'S DISCUSSION AND ANALYSIS

This document is a narrative overview and analysis of the financial activities of Alpine City for the fiscal year ending June 30, 2007. Alpine City management encourages readers to consider the information presented here in conjunction with the financial statements which follow this section. To help the reader with navigation of this report the city's activities are classified in the following manner: government activities refers to general administration, parks, streets, planning etc, while business-type activities refers to operations such as the sewer, water, and pressurized irrigation.

FINANCIAL HIGHLIGHTS

- The total net assets of Alpine City increased by \$5,383,050 totaling \$58,807,843. The governmental net assets increased by \$4,275,775 and the business-type net assets increased by \$1,107,275.
- The total net assets of governmental and business-type activities is \$58,807,843, and is made up of \$47,982,121 in capital assets, such as land, infrastructure and equipment, and \$10,825,722 in other net assets. The \$10,825,722 in other net assets is made up of \$3,252,525 which is restricted for capital projects such as the purchase of park land; \$783,867 is restricted for debt service primarily for the pressurized irrigation bond; \$333,864 for endowments. Finally, the remaining \$6,455,466 is unrestricted assets.
- Total long-term liabilities of the City decreased by \$131,383. The long term debt for government activities increased by \$88,494. The business-type activities long term debt decreased by \$219,877; \$220,000 was a payment on the pressurized irrigation bond.

REPORTING THE CITY AS A WHOLE

This discussion and analysis is intended to serve as an introduction to Alpine City's basic financial statements. Alpine City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of Alpine City's finances, in a manner similar to a private-sector business.

- *The statement of net assets* presents information on all of Alpine City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Alpine City is improving or deteriorating. However, you will also need to consider other nonfinancial factors.
- *The statement of activities* presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Both of the government-wide financial statements distinguish functions of

Alpine City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on pages 13-15 of this report.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Alpine City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds** - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental funds (as determined by generally accepted accounting principles) are the General Fund, Capital Projects Fund, and Impact Fees Fund. The balances of the governmental funds are determined to be nonmajor and are included in the combining statements within this report.

- **Proprietary funds** - Alpine City maintains one type of proprietary fund, the enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Alpine City uses enterprise funds to account for its Pressurized Irrigation Utility, Culinary Water Utility, Sewer Utility, and Storm Drain Utility. As determined by generally accepted accounting principles, the pressurized irrigation, culinary water and sewer enterprise funds meet the criteria for major fund classification. The other enterprise funds are classified as nonmajor and are included in the combining statements within this report.

- **Fiduciary funds** - These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting method used for these funds is much like that used for proprietary funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Alpine City, assets exceed liabilities by \$58,807,843.

By far the largest portion of Alpine City's net assets (81.6%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

STATEMENT OF NET ASSETS (In thousands of dollars)

	Governmental Activities		Business-type Activities	
	<u>2006-2007</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2005-2006</u>
Current and Other Assets	\$ 3,290	\$ 4,105	\$ 5,753	\$ 5,789
Capital Assets	34,284	28,578	24,496	23,328
Total Assets	37,574	32,683	30,249	29,117
Long-term Debt Outstanding	1,223	697	521	283
Other Liabilities	375	287	6,896	7,109
Total Liabilities	1,598	984	7,417	7,392
Net Assets:				
Invested in Capital Assets, Net of Debt	32,376	26,756	15,605	14,336
Restricted	2,278	1,587	2,093	1,230
Unrestricted	1,322	3,356	5,134	6,159
Total Net Assets	\$ 35,976	\$ 31,699	\$ 22,832	\$ 21,725

CHANGES IN NET ASSETS
(In thousands of dollars)

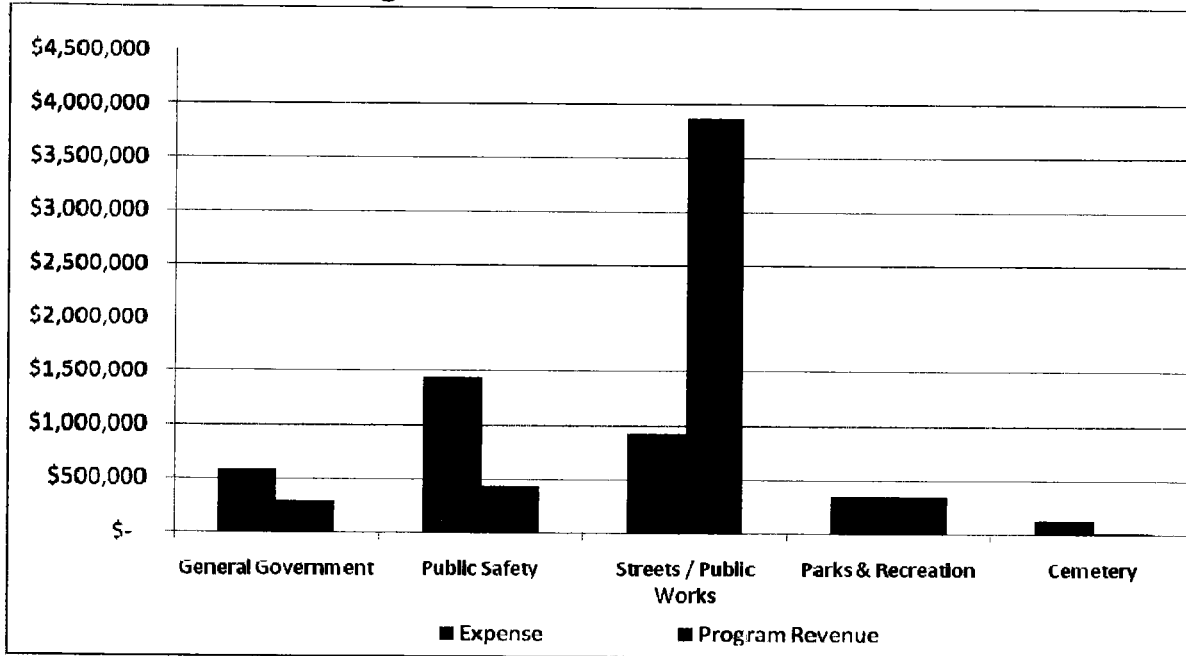
	Governmental Activities		Business-type Activities	
	<u>2006-2007</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2005-2006</u>
Revenues				
Program Revenues				
Charges for Services	\$ 591	\$ 602	\$ 2,239	\$ 1,993
Operating Grants and Contributions	4	3	-	-
Capital Grants and Contributions	4,353	2,807	999	950
General Revenues				
Property Taxes	825	674	-	-
Sales and Use Taxes	1,027	801	-	-
Other Taxes	595	645	-	-
Other Revenues	263	196	396	318
Total Revenues	<u>7,658</u>	<u>5,728</u>	<u>3,634</u>	<u>3,261</u>
Expenses				
General Government	572	438	-	-
Public Safety	1,439	1,093	-	-
Streets/Public Works	920	901	-	-
Parks and Recreation	331	385	-	-
Cemetery	120	135	-	-
Interest Expense	11	3	-	-
Water	-	-	568	525
Sewer	-	-	587	606
Pressurized Irrigation	-	-	924	724
Garbage	-	-	363	333
Storm Drain	-	-	74	56
Total Expenses	<u>3,393</u>	<u>2,955</u>	<u>2,516</u>	<u>2,244</u>
Increase in Net Assets Before Transfers	<u>4,265</u>	<u>2,773</u>	<u>1,096</u>	<u>1,017</u>
Transfers	11	11	(11)	(11)
Change in Net Assets	<u>4,276</u>	<u>2,784</u>	<u>1,107</u>	<u>1,006</u>
Net Assets Beginning	31,700	28,916	21,725	20,719
Net Assets Ending	<u>\$ 35,976</u>	<u>\$ 31,700</u>	<u>\$ 22,832</u>	<u>\$ 21,725</u>

Alpine City had a number of significant financial events in 2006-2007 as follows:

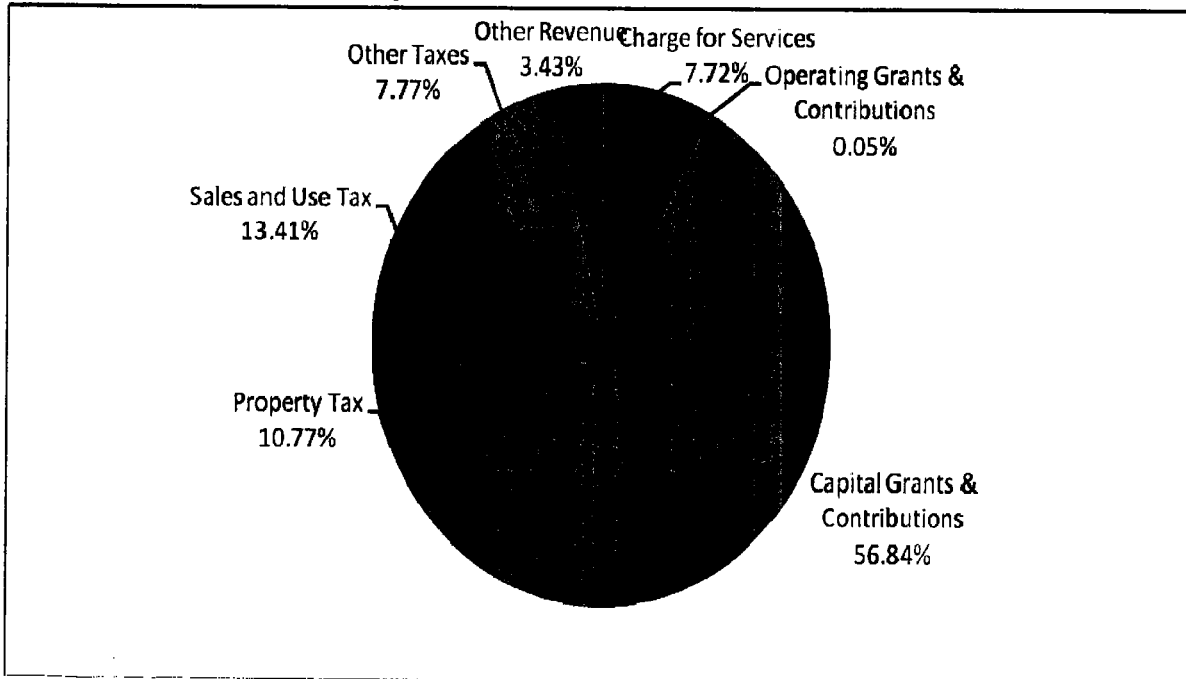
- Reconstructed Westfield Road at a cost of \$1,040,000
- Rebuilt the 300 East Well at a cost of \$125,000
- Built a pressurized irrigation filter and installed pressurized irrigation lines on North Grove Drive
- Constructed a pressurized irrigation booster station on Hog Hollow at a cost of \$55,000
- Installed storm drain on 100 South at a cost of \$45,000
- Completed the cleanup of Lambert Park \$40,000
- Installed restrooms in Legacy Park and refurbished the Pavilion at a cost of \$50,000
- Installed restrooms in Smooth Canyon Park for \$50,000
- Participated in a recreation center feasibility study with Highland City and Cedar Hills City
- Built a new entrance to the cemetery and constructed 100 new lots
- Constructed the Hog Hollow booster station at a cost of \$35,000
- Overlaid 2 miles of City streets and chip sealed 5 miles of City streets.

The following graphs display the government-wide activities as reflected in the above tables. Program revenues included in the first graph are fees charged for specific services performed by the various governmental functions. General revenues such as property taxes, sales and uses taxes, etc. are not included.

Expense and Program Revenues - Governmental Activities

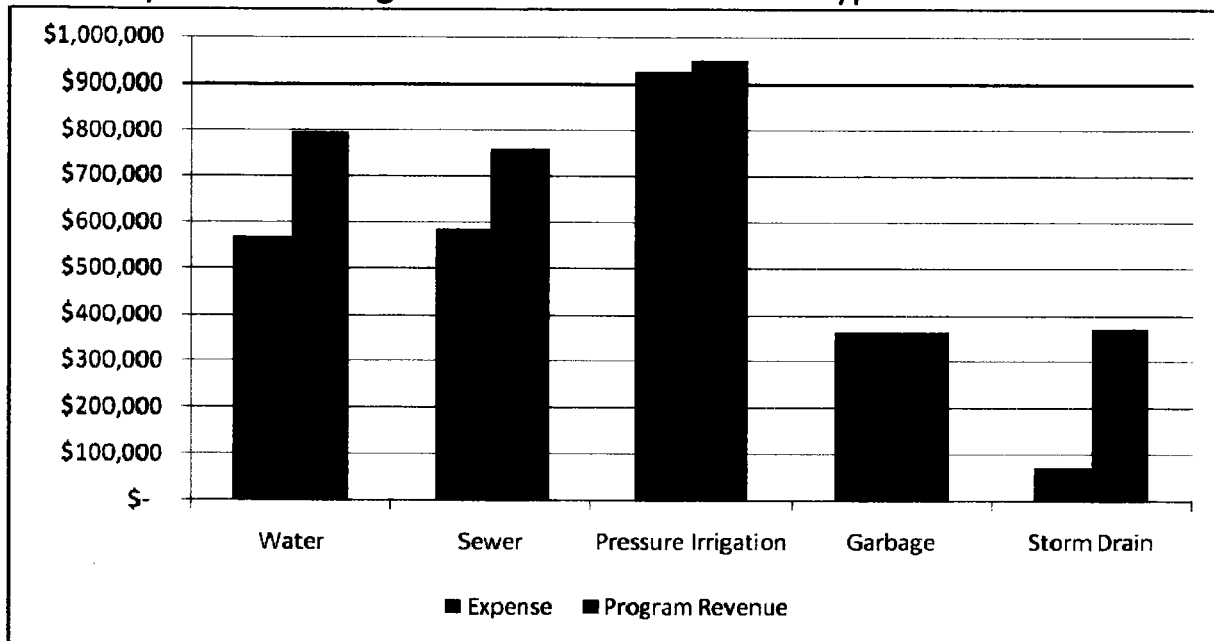


Revenues By Source - Governmental Activities

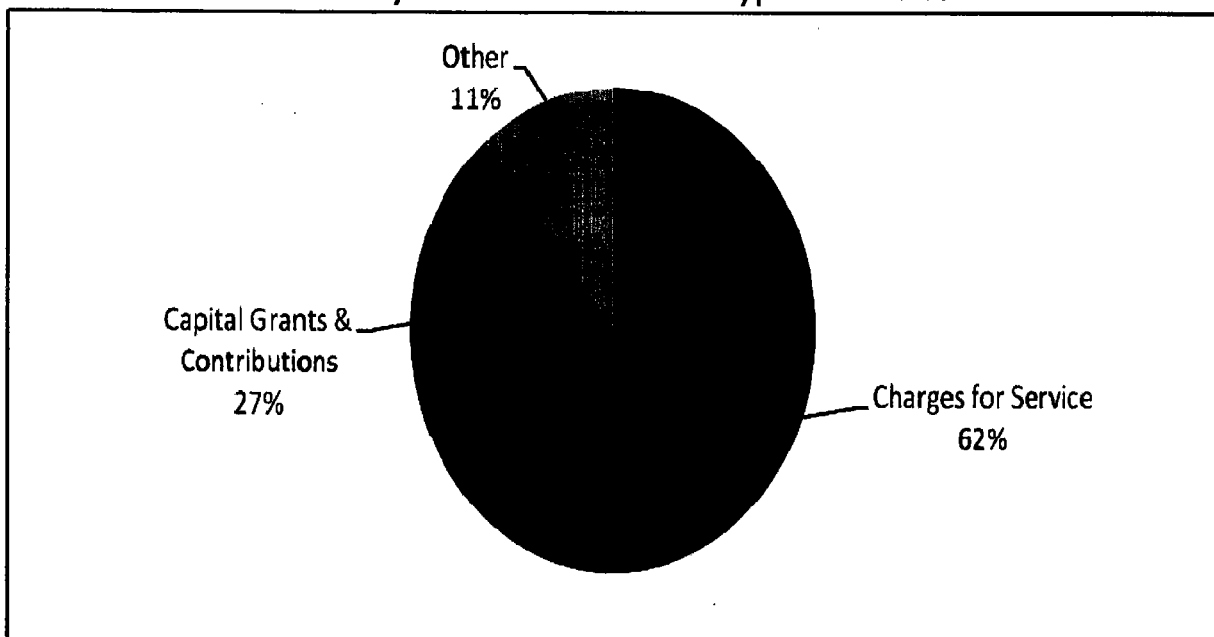


As can be seen from the following charts, the majority of revenues in the business-type activities are in charges for services, with 69 % of the revenues coming from this source. The revenues from capital grants and contributions represent the value of infrastructure systems donated to the City via subdivisions being developed.

Expense and Program Revenues – Business-Type Activities



Revenues By Source – Business-Type Activities



FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. As of the June 30, 2007, the City's governmental funds (General, Capital Projects and Debt Service) reported combined fund equity of \$3,066,389. The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

As stated earlier, the City maintains several enterprise funds to account for the business-type activities of the City. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the General Fund original budget was amended to:

Add funds for the operation of the Alpine Municipal Court which included an increase in Victim's reparation assessments and increase in the cost of the City Prosecutor.

Add funds for the increased cost of the maintenance of the City Cemetery. This reflects the City's commitment to upgrading the maintenance of the City Cemetery.

Increase funds for the maintenance of City streets. The City has 51 miles of City streets and has embarked on a maintenance program which includes crack sealing, chip sealing and overlaying. Each City street will receive some form of maintenance about every 9 years.

Funds were allocated to complete the cleanup of Lambert Park. The City received a Grant to clean up Lambert Park which included installing restrooms and removing debris from Grove Creek.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - Alpine City's investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounts to \$54,978,928 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, infrastructure (streets, sidewalks, curb and gutter, bridges, etc.), and machinery and equipment. The total increase in the City's investment in fixed assets for the current year was \$6,764,117.

Major capital asset events during the current fiscal year included the following:

- The property for the 100 South Park was purchased for \$1,851,923.12.
- Purchase was authorized for a dump truck for \$56,918
- Purchase of a new street sweeper for \$101,440 for the Street Department

- Purchase of a new Grasshopper Lawn Mower for \$12,611 to improve its turf maintenance system.
- A GPS system was purchased for \$23,770
- The large majority of the city's capital assets this year came from developer donations. Below is a list of major developments (3 lots or more) approved this year: Jackson Heights Subdivision, Taylor Meadows, Hunters Ridge Circle, Whitby Woodlands Plats A & B

ALPINE CITY'S CAPITAL ASSETS
(Net of Depreciation, in thousands of dollars)

	Governmental Activities		Business-type Activities	
	<u>2006-2007</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2005-2006</u>
Capital Assets Not Being Depreciated				
Land	\$ 18,541	\$ 13,956	\$ 392	\$ 392
Water Shares	-	-	31	31
Capital Assets Being Depreciated				
Buildings and Structures	1,549	1,424	215	215
Improvements and Infrastructure	20,782	19,158	26,720	25,159
Machinery, Equipment, and Vehicles	665	463	382	327
Construction in Progress	-	-	-	-
Total	41,537	35,001	27,740	26,124
Less Accumulated Depreciation	(9,072)	(8,245)	(5,226)	(4,666)
Total Capital Assets	\$ 32,465	\$ 26,756	\$ 22,514	\$ 21,458

Additional information on the City's capital assets can be found in the footnotes to this financial report and also the supplemental section.

Long-term debt - At June 30, 2007, the City had total debt outstanding of \$7,271,644. The majority of Alpine City's long term debt, \$6,975,000, is debt secured solely by specific revenue sources (i.e., revenue bonds within the Water and Pressurized Irrigation Funds) less unamortized bond issuance costs and discounts of \$123,912.

ALPINE CITY'S OUTSTANDING DEBT
(In thousands of dollars)

	Governmental Activities		Business-type Activities	
	<u>2006-2007</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2005-2006</u>
Revenues Bonds	\$ -	\$ -	\$ 6,851	\$ 7,064
Capital Leases	87	-	-	-
Compensated Absences	289	287	45	45
Total	<u>\$ 376</u>	<u>\$ 287</u>	<u>\$ 6,896</u>	<u>\$ 7,109</u>

Additional information on the outstanding debt obligations of the City can be found in the footnotes to this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The Unemployment rate for Utah County (of which Alpine is part) was an extremely low 2.5%. This reflects a strong economy in the areas. Alpine has seen a drop in building permits in the past two years. From 2000 to 2005 the City averaged 84 permits a year for new homes. In 2006 48 building permits were issued and in the first eight months of 2007 30 permits were issued. These figures reflect a slowdown in building. In 2007 the City increased building permit fees to better reflect the cost of building.
- The major projects budgeted for next year include the Master Plan for the 100 South Park, improvement of streets and maintenance, Hog Hollow Storm Drain improvement, Downtown Street Lighting, resurfacing of Burgess park tennis and basketball courts, and resurfacing and chip sealing city streets. The City Council also voted to set the property tax at the rate of 0.001051.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Alpine City's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to:

City Administrator,
20 N Main St
Alpine, UT 84004



BASIC FINANCIAL STATEMENTS

ALPINE CITY
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Totals
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 2,405,086	\$ 5,559,687	\$ 7,964,773
Accounts Receivable	884,517	193,769	1,078,286
TOTAL CURRENT ASSETS	3,289,603	5,753,456	9,043,059
NONCURRENT ASSETS			
Restricted Assets			
Cash and Cash Equivalents	1,819,101	1,982,175	3,801,276
Capital Assets			
Non Depreciable	18,540,658	422,805	18,963,463
Depreciable Assets (net of Depreciation)	13,924,713	22,090,752	36,015,465
TOTAL NONCURRENT ASSETS	34,284,472	24,495,732	58,780,204
TOTAL ASSETS	37,574,075	30,249,188	67,823,263
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable and Accrued Expenses	1,222,972	476,014	1,698,986
Contingent Liability	-	44,791	44,791
TOTAL CURRENT LIABILITIES	1,222,972	520,805	1,743,777
NONCURRENT LIABILITIES			
Due Within One Year	59,082	275,056	334,138
Due in more than One Year	316,417	6,621,088	6,937,505
TOTAL NONCURRENT LIABILITIES	375,499	6,896,144	7,271,643
TOTAL LIABILITIES	1,598,471	7,416,949	9,015,420
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	32,376,477	15,605,644	47,982,121
Restricted for			
Capital Projects	1,943,748	1,308,777	3,252,525
Debt Service	-	783,867	783,867
Endowments	333,864	-	333,864
Unrestricted	1,321,515	5,133,951	6,455,466
TOTAL NET ASSETS	\$ 35,975,604	\$ 22,832,239	\$ 58,807,843

See the accompanying notes to the financial statements

ALPINE CITY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$ 572,280	\$ 119,067	\$ -	\$ 165,916
Public Safety	1,439,365	427,523	3,956	-
Streets	920,171	-	-	3,878,165
Parks and Recreation	331,135	30,973	-	308,776
Cemetery	119,559	13,925	-	-
Interest on Long-Term Debt	10,693	-	-	-
Total Governmental Activities	3,393,203	591,488	3,956	4,352,857
Business-type Activities				
Water	567,526	564,936	-	229,602
Sewer	587,378	530,405	-	228,850
Pressurized Irrigation	924,325	694,142	-	256,139
Garbage	362,520	362,658	-	-
Storm Drain	73,845	86,775	-	284,751
Total Business-type Activities	2,515,594	2,238,916	-	999,342
TOTAL PRIMARY GOVERNMENT	\$ 5,908,797	\$ 2,830,404	\$ 3,956	\$ 5,352,199

General Revenues

Property Taxes

Vehicle Taxes

Sales Taxes

Franchise Taxes

Unrestricted Investment Earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

See the accompanying notes to the financial statements

Net (Expense) Revenue and Changes in Net Assets**Primary Government**

Governmental Activities	Business-type Activities	Total
\$ (287,297)	-	\$ (287,297)
(1,007,886)	-	(1,007,886)
2,957,994	-	2,957,994
8,614	-	8,614
(105,634)	-	(105,634)
(10,693)	-	(10,693)
<u>1,555,098</u>	<u>-</u>	<u>1,555,098</u>
-	227,012	227,012
-	171,877	171,877
-	25,956	25,956
-	138	138
-	<u>297,681</u>	<u>297,681</u>
-	<u>722,664</u>	<u>722,664</u>
<u>1,555,098</u>	<u>722,664</u>	<u>2,277,762</u>
825,024	-	825,024
98,796	-	98,796
1,027,043	-	1,027,043
496,153	-	496,153
224,840	395,611	620,451
37,821	-	37,821
11,000	(11,000)	-
<u>2,720,677</u>	<u>384,611</u>	<u>3,105,288</u>
<u>4,275,775</u>	<u>1,107,275</u>	<u>5,383,050</u>
<u>31,699,829</u>	<u>21,724,964</u>	<u>53,424,793</u>
<u>\$ 35,975,604</u>	<u>\$ 22,832,239</u>	<u>\$ 58,807,843</u>

ALPINE CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	Governmental-type Activities				
	Capital Projects			Nonmajor Governmental Funds	Total Governmental Funds
	General	Capital Projects	Impact Fees		
ASSETS					
Cash and Cash Equivalents	\$ 393,400	\$ 2,011,686	\$ -	\$ -	\$ 2,405,086
Accounts Receivable	74,529	-	-	-	74,529
Property Taxes Receivable	791,268	-	-	-	791,268
Franchise Taxes Receivable	18,720	-	-	-	18,720
Restricted Cash	752,920	-	728,203	337,978	1,819,101
TOTAL ASSETS	\$ 2,030,837	\$ 2,011,686	\$ 728,203	\$ 337,978	\$ 5,108,704
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts Payable	\$ 242,000	\$ 152,241	\$ 153,520	\$ 4,114	\$ 551,875
Compensated Absences	43,484	-	-	-	43,484
Developer Completion Bonds Payable	178,443	-	-	-	178,443
Infrastructure Protection Bonds Payable	-	432,180	-	-	432,180
Open Space Bonds Payable	-	58,200	-	-	58,200
Deferred Revenue	778,133	-	-	-	778,133
TOTAL LIABILITIES	1,242,060	642,621	153,520	4,114	2,042,315
FUND BALANCE					
Reserved					
Class C Roads	411,005	-	-	-	411,005
Capital Projects	-	1,369,065	574,683	-	1,943,748
Endowments	-	-	-	333,864	333,864
Unreserved	377,772	-	-	-	377,772
TOTAL FUND EQUITY	788,777	1,369,065	574,683	333,864	3,066,389
TOTAL LIABILITIES AND FUND EQUITY	\$ 2,030,837	\$ 2,011,686	\$ 728,203	\$ 337,978	\$ 5,108,704

See the accompanying notes to the financial statements

ALPINE CITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007

TOTAL GOVERNMENTAL FUNDS BALANCES **\$ 3,066,389**

Amounts reported for governmental activities in the statement of net assets are different because

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. **32,465,371**

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. **778,133**

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. **(334,289)**

TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 35,975,604**

See the accompanying notes to the financial statements

ALPINE CITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2007

	Governmental-type Activities				
		Capital Projects		Nonmajor	Total
	General	Capital Projects	Impact Fees	Governmental Funds	Governmental Funds
REVENUES					
Taxes	\$ 2,324,587	\$ -	\$ -	\$ -	\$ 2,324,587
Licenses and Permits	329,391	-	-	-	329,391
Intergovernmental	348,880	-	-	-	348,880
Charges for Services	208,578	-	-	4,275	212,853
Fines and Forfeitures	68,344	-	-	-	68,344
Interest	54,987	106,521	44,040	19,292	224,840
Miscellaneous	28,659	110,540	-	62	139,261
TOTAL REVENUES	3,363,426	217,061	44,040	23,629	3,648,156
EXPENDITURES					
General Government	370,226	-	175,835	-	546,061
Public Safety	1,439,365	-	-	-	1,439,365
Streets	675,311	-	-	-	675,311
Parks and Recreation	288,699	-	-	-	288,699
Cemetery	103,662	-	-	84,636	188,298
Capital Outlay	-	1,837,978	740,560	-	2,578,538
Debt Service	-	-	-	-	-
Interest and Finance Charges	-	23,239	-	-	23,239
TOTAL EXPENDITURES	2,877,263	1,861,217	916,395	84,636	5,739,511
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES					
	486,163	(1,644,156)	(872,355)	(61,007)	(2,091,355)
OTHER FINANCING SOURCES (USES)					
Impact Fees	-	-	610,293	-	610,293
Transfers from Other Funds	11,000	350,000	-	-	361,000
Transfers to Other Funds	(350,000)	-	-	-	(350,000)
TOTAL OTHER FINANCING SOURCES (USES)	(339,000)	350,000	610,293	-	621,293
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES					
	147,163	(1,294,156)	(262,062)	(61,007)	(1,470,062)
BEGINNING FUND BALANCE	641,614	2,663,221	836,745	394,871	4,536,451
ENDING FUND BALANCE	\$ 788,777	\$ 1,369,065	\$ 574,683	\$ 333,864	\$ 3,066,389

See the accompanying notes to the financial statements

ALPINE CITY

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2007

DEFICIT OF REVENUES AND OTHER FINANCING SOURCES OVER
EXPENDITURES AND USES - TOTAL GOVERNMENTAL FUNDS \$ (1,470,062)

*Amounts reported for governmental activities in the statement of activities
are different because*

Property taxes will not be collected for several months after the City's fiscal
year end. They are not considered to be available revenues in the governmental
funds. Deferred property tax revenues increased by this amount this year. 122,429

Governmental funds report capital outlays as expenditures. In the statement
of activities the cost of those assets is allocated over their estimated useful
lives as depreciation expense. This is the amount by which capital outlays
exceeded depreciation in the current period. 5,708,986

Issuance of long-term debt provides current financial resources to government
funds. The repayment of the principal of long-term debt consumes the
current financial resources of governmental funds. This amount is the net
difference in the treatment of long-term debt and related items. (88,894)

Some revenues and expenses reported in the statement of activities do not add
to or require the use of current financial resources and, therefore, are not
reported as revenues or expenditures in the governmental funds. 3,316

CHANGE IN NET ASSETS OF GOVERNMENTAL FUNDS \$ 4,275,775

See the accompanying notes to the financial statements

ALPINE CITY

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			Variance
	Original	Final	Actual Amounts	with Final Budget
REVENUES				
Taxes	\$ 1,761,400	\$ 2,071,830	\$ 2,324,587	\$ 252,757
Licenses and Permits	345,540	345,540	329,391	(16,149)
Intergovernmental	542,300	272,300	348,880	76,580
Charges for Services	150,100	150,700	208,578	57,878
Fines and Forfeitures	50,700	50,700	68,344	17,644
Interest	9,600	25,070	54,987	29,917
Miscellaneous	-	-	28,659	28,659
 TOTAL REVENUES	 2,859,640	 2,916,140	 3,363,426	 447,286
EXPENDITURES				
General Government	534,160	456,755	370,226	86,529
Public Safety	1,201,980	1,476,415	1,439,365	37,050
Streets	780,895	1,084,295	675,311	408,984
Parks and Recreation	283,195	347,685	288,699	58,986
Cemetery	70,410	110,410	103,662	6,748
 TOTAL EXPENDITURES	 2,870,640	 3,475,560	 2,877,263	 598,297
 EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	 (11,000)	 (559,420)	 486,163	 1,045,583
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	11,000	11,000	11,000	-
Transfers to Other Funds	-	(350,000)	(350,000)	-
 TOTAL OTHER FINANCING SOURCES (USES)	 11,000	 (339,000)	 (339,000)	 -
 EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES	 -	 (898,420)	 147,163	 1,045,583
 FUND BALANCE ALLOCATION	 -	 898,420	 -	 (898,420)
 EXCESS (DEFICIT) OF RESOURCES OVER CHARGES TO APPROPRIATIONS	 \$ -	 \$ -	 \$ 147,163	 \$ 147,163

See the accompanying notes to the financial statements

ALPINE CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

	Business-type Activities - Enterprise Funds				
	Water	Sewer	Pressurized Irrigation	Nonmajor Enterprise Funds	Total Enterprise Funds
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 2,217,853	\$ 482,682	\$ 2,752,736	\$ 106,416	5,559,687
Accounts Receivable, Net of Allowance for Uncollectibles	23,327	53,771	72,218	44,453	193,769
TOTAL CURRENT ASSETS	2,241,180	536,453	2,824,954	150,869	5,753,456
NONCURRENT ASSETS					
Restricted Assets					
Cash and Cash Equivalents	158,686	1,039,622	783,867	-	1,982,175
Capital Assets					
Water Shares	30,900	-	-	-	30,900
Land	219,000	8,000	-	164,905	391,905
Buildings and Structures	169,103	45,971	-	-	215,074
Improvements	10,135,108	4,498,195	9,532,170	2,554,293	26,719,766
Machinery, Equipment and Vehicles	203,106	120,648	58,575	-	382,329
Less Accumulated Depreciation	(2,480,737)	(1,419,671)	(1,071,710)	(254,299)	(5,226,417)
TOTAL NONCURRENT ASSETS	8,435,166	4,292,765	9,302,902	2,464,899	24,495,732
TOTAL ASSETS	10,676,346	4,829,218	12,127,856	2,615,768	30,249,188
LIABILITIES					
CURRENT LIABILITIES					
Accounts Payable	87,905	24,960	90,791	31,657	235,313
Customer Deposits Payable	36,300	-	-	-	36,300
Compensated Absences	16,387	13,895	11,549	3,225	45,056
Accrued Interest Payable	-	-	56,825	-	56,825
Contingent Liability	44,791	-	-	-	44,791
Annexation Reserve	147,576	-	-	-	147,576
Current Portion of Long-Term Debt	-	-	230,000	-	230,000
TOTAL CURRENT LIABILITIES	332,959	38,855	389,165	34,882	795,861
NONCURRENT LIABILITIES					
Bonds Payable	-	-	6,621,088	-	6,621,088
TOTAL NONCURRENT LIABILITIES	-	-	6,621,088	-	6,621,088
TOTAL LIABILITIES	332,959	38,855	7,010,253	34,882	7,416,949
NET ASSETS					
Investment in Capital Assets, Net of Related Debt	8,276,480	3,253,143	1,611,122	2,464,899	15,605,644
Restricted					
Capital Projects	158,686	1,039,622	-	110,469	1,308,777
Debt Service	-	-	783,867	-	783,867
Unrestricted	1,908,221	497,598	2,722,614	5,518	5,133,951
TOTAL NET ASSETS	\$ 10,343,387	\$ 4,790,363	\$ 5,117,603	\$ 2,580,886	\$ 22,832,239

See the accompanying notes to the financial statements

ALPINE CITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Funds				
	Water	Sewer	Pressurized Irrigation	Nonmajor Enterprise Funds	Total Enterprise Funds
OPERATING REVENUES					
Charges for Services	\$ 470,178	\$ 523,255	\$ 674,913	\$ 449,433	\$ 2,117,779
Connection Fees	10,755	7,150	17,029	-	34,934
Miscellaneous	84,003	-	2,200	-	86,203
TOTAL OPERATING REVENUES	564,936	530,405	694,142	449,433	2,238,916
OPERATING EXPENSES					
Salaries, Wages and Benefits	206,468	182,016	147,914	40,164	576,562
Operations	145,234	310,170	229,491	336,924	1,021,819
Depreciation	215,824	95,192	190,229	59,277	560,522
TOTAL OPERATING EXPENSES	567,526	587,378	567,634	436,365	2,158,903
OPERATING INCOME (LOSS)	(2,590)	(56,973)	126,508	13,068	80,013
NON-OPERATING REVENUES (EXPENSES)					
Impact Fees	23,175	44,427	120,907	92,800	281,309
Interest Income	122,129	75,666	177,667	20,159	395,611
Interest Expense	-	-	(356,691)	-	(356,691)
TOTAL NON-OPERATING REVENUES (EXPENSES)	145,304	120,083	(58,117)	112,959	320,229
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	142,714	63,110	68,391	126,027	400,242
Capital Contributions	206,427	184,423	135,232	191,951	718,033
Transfers to Other Funds	(6,000)	(3,500)	-	(1,500)	(11,000)
CHANGE IN NET ASSETS	343,141	244,033	203,623	316,478	1,107,275
TOTAL NET ASSETS AT BEGINNING OF YEAR	10,000,246	4,546,330	4,913,980	2,264,408	21,724,964
TOTAL NET ASSETS AT END OF YEAR	\$ 10,343,387	\$ 4,790,363	\$ 5,117,603	\$ 2,580,886	\$ 22,832,239

See the accompanying notes to the financial statements

ALPINE CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Business-type Activities - Enterprise Funds</u>				
	<u>Water</u>	<u>Sewer</u>	<u>Pressurized Irrigation</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Receipts from Customers	\$ 565,527	\$ 530,175	\$ 682,104	\$ 448,655	\$ 2,226,461
Payments to Suppliers	(52,819)	(285,210)	(138,700)	(305,267)	(781,996)
Payments to Employees	(206,161)	(181,845)	(147,967)	(40,467)	(576,440)
NET CASH FLOWS FROM OPERATING ACTIVITIES	306,547	63,120	395,437	102,921	868,025
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>					
Transfers to Other Funds	(6,000)	(3,500)	-	(1,500)	(11,000)
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	(6,000)	(3,500)	-	(1,500)	(11,000)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Impact Fees	23,175	44,427	120,907	92,800	281,309
Acquisition of Capital Assets	(249,051)	(31,266)	(489,157)	(128,146)	(897,620)
Debt Payments	-	-	(213,362)	-	(213,362)
Interest Expense	-	-	(358,168)	-	(358,168)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(225,876)	13,161	(939,780)	(35,346)	(1,187,841)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Interest Income	122,129	75,656	177,667	20,159	395,611
NET CASH FLOWS FROM INVESTING ACTIVITIES	122,129	75,656	177,667	20,159	395,611
NET CHANGE IN CASH AND CASH EQUIVALENTS	196,800	148,437	(366,676)	86,234	64,795
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,179,739	1,373,867	3,903,279	20,182	7,477,067
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,376,539	\$ 1,522,304	\$ 3,536,603	\$ 106,416	\$ 7,541,862

See the accompanying notes to the financial statements

ALPINE CITY

STATEMENT OF CASH FLOWS (CONTINUED)

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

	Business-type Activities - Enterprise Funds				
	Water	Sewer	Pressurized Irrigation	Nonmajor Enterprise Funds	Total Enterprise Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES					
Operating Income (Loss)	\$ (2,590)	\$ (56,973)	\$ 126,508	\$ 13,068	\$ 80,013
Adjustments					
Depreciation	215,824	95,192	190,229	59,277	560,522
Changes in Assets and Liabilities					
Accounts Receivable, Net	591	(230)	(12,038)	(778)	(12,455)
Due from Other Funds	-	-	-	12,188	12,188
Accounts Payable	87,905	24,960	90,791	31,657	235,313
Customer Deposits Payable	4,510	-	-	-	4,510
Due to Other Funds	-	-	-	(12,188)	(12,188)
Compensated Absences	307	171	(53)	(303)	122
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 306,547	\$ 63,120	\$ 395,437	\$ 102,921	\$ 868,025

NONCASH TRANSACTIONS

Contributions of Capital Assets from
Developers

\$ 206,427	\$ 184,423	\$ 135,232	\$ 191,951	\$ 718,033
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See the accompanying notes to the financial statements

ALPINE CITY, UTAH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Alpine City, Utah (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of the City's accounting policies.

Financial Reporting Entity

Alpine City was incorporated in 1855 under the laws of the State of Utah. The City is a municipal corporation governed by an elected five-member Council and Mayor. The City provides municipal services under the following organizational structure:

General Government: Mayor and City Council, City Administrator, Justice Court, Treasurer and Recorder

Public Safety: Police, Fire and Emergency Medical Services, (through Lone Peak Public Safety District), Building Inspection, Planning and Zoning

Public Works: Streets, Water, Sewer, Garbage, Pressurized Irrigation and Storm Drains

Parks and Recreation: Parks, Cemetery and Recreation

Government-wide and Fund Financial Statements

The government-wide financial statements (statement of net assets and statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers who directly benefit from goods or services provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTE 1 - (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Financial resources used to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than as an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter (within sixty days) to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, use taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The *capital projects fund* accounts for the acquisition or construction of major capital facilities of the City (other than those financed by proprietary funds).

The *impact fees fund* accounts for the collection of governmental fund type impact fees and the related acquisition or construction of capital facilities in accordance with the City's capital facilities plans.

The City reports the following major proprietary funds:

The *water fund* accounts for the activities of the City's water production, treatment and distribution operations.

The *sewer fund* accounts for the activities of the City's sewer treatment operations.

NOTE 1 - (CONTINUED)

The *pressurized irrigation fund* accounts for the activities of the City's pressurized irrigation distribution operations.

Activities of these funds include administration, operations and maintenance of the water, sewer and pressurized irrigation systems, and billing and collection. The funds also account for the accumulation of resources for, and the payment of, long-term debt principal and interest for all enterprise fund debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure the integrity of the funds.

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities and Fund Equity

A. Cash and cash equivalents

Cash includes cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. City policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer's Investment Fund (Fund) and other investments allowed by the State of Utah's Money Management Act. Investments are reported at fair value. The Fund operates in accordance with state laws and regulations. The reported value of the City's cash in the Fund is the same as the fair value of the Fund shares.

Cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments with maturities of three months or less, when purchased, meet this definition.

B. Restricted assets

Cash which is restricted to a particular use due to statutory, budgetary or bonding requirements is classified as "restricted cash" on the statement of net assets and on the balance sheets. Restricted cash would be spent first and then unrestricted resources would be used when the restricted funds are depleted.

NOTE 1 - (CONTINUED)

C. Capital assets

Capital assets, which include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, if purchased, and at fair market value at the date of the gift, if donated.

Major additions are capitalized, while maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense.

Capital asset depreciation is recognized using the straight-line method over the estimated useful lives as follows:

<u>Classification</u>	<u>Range of Lives</u>
Buildings and structures	20-50 years
Improvements and infrastructure	10-50 years
Machinery, equipment and vehicles	5-15 years

D. Compensated absences

Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. Vacation is accumulated on a monthly basis. Proprietary funds expense all accrued vacation amounts when incurred. Governmental funds report an expenditure as the vacation is paid. The accumulated sick leave is earned at a rate of one day per month. Sick pay amounts are charged to expenditures when incurred. Employees may accumulate up to 90 days of sick leave. Employees who retire are paid 25% of accumulated sick leave at retirement. The City will pay the cost of the employee's health insurance for one month for every two days of sick leave remaining after the cash payout.

E. Long-term liabilities

In the government-wide financial statements, and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are recorded net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and are amortized over the life of the related debt. In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 1 - (CONTINUED)

F. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designations of unreserved fund balances are not required by law or accounting principles, but are further classifications of fund equity to identify funds which are earmarked by the City's management for specific purposes. These represent tentative management plans that are subject to change.

G. Net assets

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Inter-Fund Transactions

During the course of normal operations, the City has transactions between funds to subsidize operations in certain funds, to allocate administrative costs, to construct assets, to distribute grant proceeds, etc. . These transactions are generally reflected as operating transfers, which are transfers from a fund authorized to receive certain revenues to the fund through which the resources are to be expended.

Deferred Revenue

Property taxes due November 30, 2007 and unpaid from 2006 are shown as deferred revenue.

Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

NOTE 2 - (CONTINUED)

Capital Asset Differences

When capital assets (land, buildings, improvements and equipment) are purchased or constructed for use in governmental fund activities, the costs of those assets are reported as expenditures in the governmental funds. However, those costs are reported as capital assets in the statement of net assets. The details of these differences are presented below:

Land	\$ 18,540,658
Buildings and Structures	1,548,867
Improvements and Infrastructure	20,781,845
Machinery, Equipment and Vehicles	665,469
Less Accumulated Depreciation	<u>(9,071,468)</u>
Net Capital Asset Difference	<u>\$ 32,465,371</u>

Other Long-Term Asset Differences

Property taxes due in November 2007 are reported as deferred revenues in the governmental fund balance sheet. However, they are reported as current year revenues in the statement of net assets. The details of these differences are presented below:

Property taxes collectible in November 2007	<u>\$ 778,133</u>
---	-------------------

Long-Term Liability Differences

Long-Term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund balance sheet. All liabilities (both current and long-term) are reported in the statement of net assets. The details of these differences are presented below:

Accrued Interest	\$ (2,274)
Lease Payable	(86,620)
Long-Term Compensated Absences	<u>(245,395)</u>
Net Long-Term Liability Difference	<u>\$ (334,289)</u>

Explanation of certain differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund financial statements include a reconciliation between changes in fund balances in the governmental funds and changes in net assets in the government-wide statement of activities. This difference primarily results from the long-term economic focus of the statement of activities versus the current financial resource focus of the governmental fund financial statements.

Capital Outlay and Depreciation Differences

Capital outlays are reported as expenditures in the statement of revenues, expenditures and changes in fund balances. They are reported as capital assets, with the costs allocated over the useful lives of the assets, as depreciation, in the statement of activities. The details of these differences are reported below:

Capital Outlay	\$ 3,156,711
Developer Contributions	3,378,540
Depreciation Expense	<u>(826,265)</u>
Net Difference	<u>\$ 5,708,986</u>

NOTE 2 - (CONTINUED)

Long-Term Debt Issuance and Repayment Differences

When long-term debt is issued it is reported as an other financing source. Repayments are reported as expenditures in the statement of revenues, expenditures and changes in fund balance. Issuance of debt is reported as a long-term liability and repayments are reported as reductions of those liabilities in the statement of activities. The details of these differences are reported below:

Accrued Interest	\$ (2,274)
New Lease	(101,440)
Principal Repayments	
Capital Leases	<u>14,820</u>
Net Long-Term Issuance and Repayment Differences	\$ <u>(88,894)</u>

Other Revenue and Expense Differences

The change in long-term compensated absences is not reported in the statement of revenues, expenditures and changes in fund balance. This change is reported in the statement of activities. The detail of this difference is reported below:

Change in Long-Term Compensated Absences	\$ <u>3,316</u>
--	-----------------

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Prior to the first regularly scheduled meeting of the City Council in May, the Mayor and the City Manager submit to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and proposed sources of revenues.

Between May 1 and June 22, the City Council reviews and adjusts the proposed budget. On or before June 22, a public hearing is held and the budget is legally adopted through passage of a resolution, unless a property tax increase is proposed. If a property tax increase is proposed, a hearing must be held on or before August 17, which does not conflict with other taxing entities that have proposed a property tax increase. At this time the final balanced budget is adopted.

Under Utah State law, the City's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, including revisions, except as allowed by the code for certain events.

The Mayor, in conjunction with the appropriate department head, has the authority to transfer budget appropriations within and between any divisions of any budgetary fund. The City Council has the authority to transfer budget appropriations between individual budgetary funds by resolution.

A public hearing must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.

NOTE 3 - (CONTINUED)

Annual budgets for the general fund, all debt service funds and capital projects funds were legally adopted by the City and are prepared on the modified-accrual method of accounting.

Although Utah State law requires the initial preparation of budgets for all City funds (both governmental and proprietary), it only requires the reporting of comparisons of actual results to budgets for the general fund and any major special revenue funds.

Tax Revenues

Property taxes are collected by the County Treasurer and remitted to the City in two to three installments in November, December, and a final settlement in the first quarter of the calendar year. Taxes are levied and are due and payable on November 1st and are delinquent after November 30th of each year, at which time they become liens if not paid. An accrual of uncollected current and prior year's property taxes beyond that which was received within 60 days after the fiscal year end has not been made, as the amounts are not deemed to be material.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly. An accrual has been made for all taxes received by the State for the period ended June 30th and thus due and payable to the City.

Franchise taxes are charged to various utility companies doing business with the City including telephone, cable television, gas utility, and electric utility companies. The fees are remitted on a monthly, quarterly, or annual basis. An accrual has been made for all fees due and payable to the City at June 30th.

NOTE 4 - DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost or amortized cost, which approximates fair value. Each fund's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents" which also includes cash accounts that are separately held by several of the City's funds. Deposits are not collateralized nor are they required to be by State statute.

Deposits and investments for City government are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7) (The Act) and by rules of the Utah Money Management Council (the Council). Following are discussions of the City's exposure to various risks related to its cash management activities.

Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the City to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2007, \$48,155 of the City's bank balances of \$148,155 were uninsured and uncollateralized.

NOTE 4 - (CONTINUED)

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined in the Act.

The City government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subjected to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

The following are the City's investments at June 30, 2007:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund (PTIF)	\$ 10,884,295	\$ 10,884,295	\$ -	\$ -	\$ -
U.S. Treasuries	<u>783,867</u>	-	-	-	<u>783,867</u>
Total Investments	<u>\$ 11,668,162</u>	<u>\$ 10,884,295</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 783,867</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the City's investments are noted above.

NOTE 4 - (CONTINUED)

The deposits and investments described above are included on the statement of net assets as per the following reconciliation:

Deposits	\$ 97,007
Investments	11,668,162
Cash on Hand	<u>880</u>
Total	<u>\$ 11,766,049</u>
Cash and Cash Equivalents	\$ 7,964,773
Restricted Cash and Cash Equivalents	<u>3,801,276</u>
Total	<u>\$ 11,766,049</u>

NOTE 5 - RECEIVABLES

Accounts receivable and the associated allowances for uncollectible accounts at June 30, 2007 are presented in the schedule below.

Property taxes are levied on January 1 of 2007, are due in November of 2007, and are budgeted for the 2007 fiscal year. Even though they are not intended to fund the 2007 fiscal year, they must be recognized as an asset because the City has an enforceable claim to the revenue. The property taxes that have been remitted to the City within 60 days of the end of the current fiscal period have been recognized as revenue. The uncollected, measurable amounts have been accrued as deferred revenue.

Franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other items are considered to be measurable and available only when cash is received by the City.

The following is a summary of receivables at June 30, 2007:

	Governmental Activities	Business-type Activities	Total
Accounts Receivable	\$ 74,529	\$ 193,769	\$ 268,298
Property Taxes Receivable	791,268	-	791,268
Franchise Taxes	<u>18,720</u>	<u>-</u>	<u>18,720</u>
Total	<u>\$ 884,517</u>	<u>\$ 193,769</u>	<u>\$ 1,078,286</u>

NOTE 6 - CAPITAL ASSETS

The following schedule presents the capital activity of the governmental activities for the year ended June 30, 2007.

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 13,956,562	\$ 4,584,096	\$ -	\$ 18,540,658
Capital Assets being Depreciated				
Buildings and Structures	1,423,951	124,916	-	1,548,867
Improvements and Infrastructure	19,158,162	1,623,683	-	20,781,845
Machinery, Equipment and Vehicles	<u>462,913</u>	<u>202,556</u>	<u>-</u>	<u>665,469</u>
Total	35,001,588	6,535,251	-	41,536,839
Less Accumulated Depreciation	<u>(8,245,203)</u>	<u>(826,265)</u>	<u>-</u>	<u>(9,071,468)</u>
Governmental Activities Capital Assets, Net	<u>\$ 26,756,385</u>	<u>\$ 5,708,986</u>	<u>\$ -</u>	<u>\$ 32,465,371</u>

The following schedule presents the capital activity of the business-type activities for the year ended June 30, 2007.

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 391,905	\$ -	\$ -	\$ 391,905
Water Shares	30,900	-	-	30,900
Capital Assets being Depreciated				
Buildings and Structures	215,074	-	-	215,074
Improvements and Infrastructure	25,159,246	1,560,520	-	26,719,766
Machinery, Equipment and Vehicles	<u>327,196</u>	<u>55,133</u>	<u>-</u>	<u>382,329</u>
Total	26,124,321	1,615,653	-	27,739,974
Less Accumulated Depreciation	<u>(4,665,895)</u>	<u>(560,522)</u>	<u>-</u>	<u>(5,226,417)</u>
Business-type Activities Capital Assets, Net	<u>\$ 21,458,426</u>	<u>\$ 1,055,131</u>	<u>\$ -</u>	<u>\$ 22,513,557</u>

Depreciation was charged to the functions/programs of the primary government as follows:

Government Activities	
General Government	\$ 29,535
Streets	702,934
Parks and Recreation	78,156
Cemetery	<u>15,640</u>
Total Depreciation Expense-Governmental Activities	<u>\$ 826,265</u>
Business-type Activities	
Water	\$ 215,824
Sewer	95,192
Pressurized Irrigation	190,229
Storm Drain	<u>59,277</u>
Total Depreciation Expense-Business-type Activities	<u>\$ 560,522</u>

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Governmental Activities	Business-type Activities
Accounts Payable	\$ 551,875	\$ 235,313
Customer Deposits Payable	-	36,300
Accrued Interest Payable	2,274	56,825
Developer Completion Bonds Payable	178,443	-
Infrastructure Protection Bonds Payable	432,180	-
Open Space Bonds Payable	58,200	-
Annexation Reserve Payable	-	147,576
Total Accounts Payable and Accrued Liabilities	\$ <u>1,222,972</u>	\$ <u>476,014</u>

The City collects deposits from those wishing to develop subdivisions within the City. The City also collects deposits from developers to ensure that the City's infrastructure is protected during construction. These amounts are deposited into the City's bank account. The original deposit and any interest earned on the accounts is returned to the developer after the related project is completed.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The City is involved in various lawsuits arising in the normal course of business, including claims for property damage, personal injury and civil rights violations, and disputes over development fees. The policy of the City is to vigorously defend all claims against the City. The insurance company covers most costs to defend the City against claims. However, the City has accrued contingent liabilities to cover potential losses which may arise from the various lawsuits and claims which may not be fully covered by insurance. At June 30, 2007, \$44,791 remained on the books for potential losses.

NOTE 9 - LONG-TERM DEBT

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2007:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Capital Leases					
2007 Tymco Street Sweeper	\$ -	\$ 101,440	\$ (14,820)	\$ 86,620	\$ 15,598
Compensated Absences	<u>287,005</u>	<u>1,874</u>	<u>-</u>	<u>288,879</u>	<u>43,484</u>
	<u>\$ 287,005</u>	<u>\$ 103,314</u>	<u>\$ (14,820)</u>	<u>\$ 375,499</u>	<u>\$ 59,082</u>
Business-type Activities					
Revenue Bonds					
2001 Water	\$ 7,195,000	\$ -	\$ (220,000)	\$ 6,975,000	\$ 230,000
Compensated Absences	<u>44,934</u>	<u>123</u>	<u>-</u>	<u>45,057</u>	<u>45,057</u>
	<u>\$ 7,239,934</u>	<u>\$ 123</u>	<u>\$ (220,000)</u>	<u>7,020,057</u>	<u>\$ 275,057</u>
Unamortized Bond Issuance Costs and Discounts				<u>(123,912)</u>	
				<u>\$ 6,896,145</u>	

NOTE 9 - (CONTINUED)

Long-term debt and obligations payable at June 30, 2007 were as follows:

	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Current Portion</u>	<u>Long-term Balance</u>
<u>Governmental Activities</u>				
Leases Payable				
Tymco Street Sweeper	5.25%	2012	\$ 15,598	\$ 71,022
Compensated Absences			<u>43,484</u>	<u>245,395</u>
Total Governmental Activities Long-term Debt			<u>\$ 59,082</u>	<u>\$ 316,417</u>
<u>Business-type Activities</u>				
Bonds Payable				
Water Revenue Bonds, Series 2001, Dated March 15, 2001, (original amount-- \$8,905,000)	3.20% to 5.25%	2026	\$ 230,000	\$ 6,745,000
Compensated Absences			45,057	-
Unamortized Bond Issuance Costs and Discounts			-	<u>(123,912)</u>
Total Business-type Activities Long-term Debt			<u>\$ 275,057</u>	<u>\$ 6,621,088</u>

Principal and interest requirements to retire the City's long-term obligations are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Government-wide</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 15,598	\$ 4,547	\$ 230,000	\$ 340,948	\$ 245,598	\$ 345,495
2009	16,417	3,729	240,000	331,428	256,417	335,157
2010	17,279	2,867	250,000	320,258	267,279	323,125
2011	18,186	1,960	260,000	308,418	278,186	310,378
2012	19,140	1,005	275,000	295,953	294,140	296,958
2013-2017	-	-	1,600,000	1,247,934	1,600,000	1,247,934
2018-2022	-	-	2,055,000	786,648	2,055,000	786,648
2023-2026	-	-	2,065,000	212,875	2,065,000	212,875
	<u>\$ 86,620</u>	<u>\$ 14,108</u>	<u>\$ 6,975,000</u>	<u>\$ 3,844,462</u>	<u>\$ 7,061,620</u>	<u>\$ 3,858,570</u>

NOTE 10 - RESERVED FUND EQUITY

The Class "C" Roads allotment from the state excise tax is reserved for construction and maintenance of City streets and roads. The City's bond covenants require certain reservations of retained earnings in the water and sewer funds. Utah State statute requires unexpended impact fees held at year-end to be reserved for future expansion in the charging department or fund. A perpetual trust fund is designed to provide future operating costs for the cemetery. Funds are collected at the time a lot is sold and a percentage of the fee is transferred to the trust fund. In addition, funds have been designated for various capital projects.

NOTE 11 - RETIREMENT PLANS

Plan Description

Alpine City contributes to the Local Governmental Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement systems, 540 East 200 South Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy

In the Local Governmental Noncontributory Retirement System, Alpine City is required to contribute 11.59% of plan members' annual covered salary. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Alpine City's contributions to the Local Governmental Noncontributory Retirement System for the years ending June 30, 2007, 2006, and 2005 were \$83,868, \$65,464 and \$64,136, respectively. The contributions were equal to the required contributions for each year.

NOTE 12 - DEFERRED COMPENSATION PLANS

The City sponsors a defined contribution deferred compensation plan administered by Utah Retirement Systems under the Internal Revenue Code Section 401(k) for some City employees covered by the State's contributory retirement plans. The plan, available to all permanent full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 401(k) deferred compensation monies are not available to the City or its general creditors. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. The City participates at rates between 0% and 8.25% depending on the employee's contributions. The rate of City participation can be changed by the City Council. During the years ended June 30, 2007, 2006, and 2005 contributions totaling \$30,073, \$25,428, and \$25,866, respectively were made to the plan by employees and \$21,243, \$29,043, and \$20,052, respectively by the City.

The City sponsors a defined contribution deferred compensation plan administered by the Utah Retirement Systems under the Internal Revenue Code Section 457 for city employees covered by the State's noncontributory retirement plans. The plan, available to certain permanent full and some part-time employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available until termination, retirement, death, or unforeseeable emergency. The 457 deferred compensation monies are not available to the City or its general creditors. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. During the years ended June 30, 2007, 2006 and 2005 contributions totaling \$1,300, \$0 and \$0 respectively, were made to the plan by employees.

NOTE 13 - RISK MANAGEMENT

Alpine City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City joined together with other governments in the State of Utah to form the Utah Local Governments Trust (ULGT), a public entity risk pool currently operating as a common risk management and insurance program for Utah State governments. The City pays an annual premium to ULGT for its general insurance coverage.

The City also carries comprehensive general liability insurance coverage through a commercial insurance company. Settled claims from this risk type have not exceeded coverage in any of the past three fiscal years.

NOTE 14 - OPERATING TRANSFER RECONCILIATION

The operating transfers among the funds were as follows:

	<u>In</u>	<u>Out</u>
General Fund	\$ 11,000	\$ 350,000
Capital Improvements	350,000	-
Water	-	6,000
Sewer	-	3,500
Garbage	-	1,500
	<u>\$ 361,000</u>	<u>\$ 361,000</u>

SUPPLEMENTARY INFORMATION

ALPINE CITY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ASSETS</u>		
Restricted Cash and Cash Equivalents	<u>\$ 337,978</u>	<u>\$ 337,978</u>
 TOTAL ASSETS	 <u>\$ 337,978</u>	 <u>\$ 337,978</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>LIABILITIES</u>		
Accounts Payable	<u>\$ 4,114</u>	<u>\$ 4,114</u>
 TOTAL LIABILITIES	 <u>4,114</u>	 <u>4,114</u>
 <u>FUND BALANCE</u>		
Reserved for Endowments	<u>333,864</u>	<u>333,864</u>
 TOTAL LIABILITIES AND FUND EQUITY	 <u>\$ 337,978</u>	 <u>\$ 337,978</u>

ALPINE CITY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2007

	Permanent Fund	Total Nonmajor Governmental Funds
REVENUES		
Charges for Services	\$ 4,275	\$ 4,275
Interest	19,292	19,292
Miscellaneous	<u>62</u>	<u>62</u>
 TOTAL REVENUES	 <u>23,629</u>	 <u>23,629</u>
 EXPENDITURES		
Cemetery	<u>84,636</u>	<u>84,636</u>
 TOTAL EXPENDITURES	 <u>84,636</u>	 <u>84,636</u>
 EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	 (61,007)	 (61,007)
 BEGINNING FUND BALANCE	 <u>394,871</u>	 <u>394,871</u>
 ENDING FUND BALANCE	 <u>\$ 333,864</u>	 <u>\$ 333,864</u>

ALPINE CITY
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2007

	<u>Garbage</u>	<u>Storm Drain</u>	<u>Total Nonmajor Enterprise Funds</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 63,037	\$ 43,379	\$ 106,416
Accounts Receivable, Net of Allowance for Uncollectibles	<u>36,229</u>	<u>8,224</u>	<u>44,453</u>
TOTAL CURRENT ASSETS	<u>99,266</u>	<u>51,603</u>	<u>150,869</u>
NONCURRENT ASSETS			
Capital Assets			
Land	-	164,905	164,905
Improvements	-	2,554,293	2,554,293
Less Accumulated Depreciation	<u>-</u>	<u>(254,299)</u>	<u>(254,299)</u>
TOTAL NONCURRENT ASSETS	<u>-</u>	<u>2,464,899</u>	<u>2,464,899</u>
TOTAL ASSETS	<u>99,266</u>	<u>2,516,502</u>	<u>2,615,768</u>
<u>LIABILITIES</u>			
Accounts Payable	30,201	1,456	31,657
Compensated Absences	<u>3,225</u>	<u>-</u>	<u>3,225</u>
TOTAL LIABILITIES	<u>33,426</u>	<u>1,456</u>	<u>34,882</u>
<u>NET ASSETS</u>			
Investment in Capital Assets, Net of Related Debt	-	2,464,899	2,464,899
Restricted for Capital Projects	-	110,469	110,469
Unrestricted	<u>65,840</u>	<u>(60,322)</u>	<u>5,518</u>
TOTAL NET ASSETS	<u>\$ 65,840</u>	<u>\$ 2,515,046</u>	<u>\$ 2,580,886</u>

ALPINE CITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2007

	Garbage	Storm Drain	Total Nonmajor Enterprise Funds
<u>OPERATING REVENUES</u>			
Charges for Services	\$ 362,658	\$ 86,775	\$ 449,433
 TOTAL OPERATING REVENUES	 362,658	 86,775	 449,433
<u>OPERATING EXPENSES</u>			
Salaries, Wages and Benefits	40,164	-	40,164
Operations	322,356	14,568	336,924
Depreciation	-	59,277	59,277
 TOTAL OPERATING EXPENSES	 362,520	 73,845	 436,365
 OPERATING INCOME	 138	 12,930	 13,068
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Impact Fees	-	92,800	92,800
Interest Income	2,961	17,198	20,159
 TOTAL NON-OPERATING REVENUES (EXPENSES)	 2,961	 109,998	 112,959
 INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	 3,099	 122,928	 126,027
Developer Capital Contributions	-	191,951	191,951
Transfers to Other Funds	(1,500)	-	(1,500)
 CHANGE IN NET ASSETS	 1,599	 314,879	 316,478
 TOTAL NET ASSETS AT BEGINNING OF YEAR	 64,241	 2,200,167	 2,264,408
 TOTAL NET ASSETS AT END OF YEAR	 \$ 65,840	 \$ 2,515,046	 \$ 2,580,886

ALPINE CITY

COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2007

	Garbage	Storm Drain	Total Nonmajor Enterprise Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts from Customers	\$ 361,828	\$ 86,827	\$ 448,655
Payments to Suppliers	(279,967)	(25,300)	(305,267)
Payments to Employees	(40,467)	-	(40,467)
NET CASH FLOWS FROM OPERATING ACTIVITIES	41,394	61,527	102,921
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>			
Transfer to Other Funds	(1,500)	-	(1,500)
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	(1,500)	-	(1,500)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Impact Fees	-	92,800	92,800
Acquisition of Capital Assets	-	(128,146)	(128,146)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	-	(35,346)	(35,346)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest Income	2,961	17,198	20,159
NET CASH FLOWS FROM INVESTING ACTIVITIES	2,961	17,198	20,159
NET CHANGE IN CASH AND CASH EQUIVALENTS	42,855	43,379	86,234
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	20,182	-	20,182
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 63,037	\$ 43,379	\$ 106,416

ALPINE CITY

COMBINING STATEMENT OF CASH FLOWS (CONTINUED)

NONMAJOR ENTERPRISE FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Garbage</u>	<u>Storm Drain</u>	<u>Total Nonmajor Enterprise Funds</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Operating Income	\$ 138	\$ 12,930	\$ 13,068
Adjustments			
Depreciation	-	59,277	59,277
Changes in Assets and Liabilities			
Accounts Receivable, Net	(830)	52	(778)
Due from Other Funds	12,188	-	12,188
Accounts Payable	30,201	1,456	31,657
Due to Other Funds	-	(12,188)	(12,188)
Compensated Absences	<u>(303)</u>	<u>-</u>	<u>(303)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 41,394</u>	<u>\$ 61,527</u>	<u>\$ 102,921</u>

NONCASH TRANSACTIONS

Contributions of Capital Assets from
Developers

<u>\$ -</u>	<u>\$ 191,951</u>	<u>\$ 191,951</u>
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ALPINE CITY

SCHEDULE OF IMPACT FEES

FOR THE YEAR ENDED JUNE 30, 2007

Alpine City collects streets, parks and recreation, water, sewer, pressurized irrigation and storm drain impact fees. The following is a recap of the impact fees outstanding by year of collection:

Year Collected	Streets	Parks and Recreation	Water	Sewer	Pressurized Irrigation	Storm Drain
2000	\$ -	\$ -	\$ -	\$ 140,946	\$ -	\$ -
2001	-	-	-	295,088	-	-
2002	-	-	-	96,615	-	-
2003	-	-	53,053	121,031	-	-
2004	-	-	22,507	92,565	-	-
2005	-	-	31,763	108,323	-	-
2006	91,962	-	21,317	89,587	-	14,160
2007	179,005	303,716	30,046	95,467	-	96,309
Total	\$ 270,967	\$ 303,716	\$ 158,686	\$ 1,039,622	\$ -	\$ 110,469

The following capital projects are planned to use the impact fees shown above:

Capital Project Planned	Projected Cost	Estimated Starting Date	Type of Impact Fee
Fort Canyon Sewer Line	\$ 700,000	3-08	Sewer (1)
100 South Park Master Plan	\$ 50,000	12-07	Parks
Heritage Hills Boulevard	\$ 65,000	12-07	Streets

(1) The delay in constructing this sewer project has been caused by unanticipated problems in reaching agreements with the property owners for the rights-of-way necessary. The City has been negotiating with property owners for some time to acquire these rights-of-way. These negotiations should be completed soon and the project is anticipated to be completed by June 30, 2008.

STATE LEGAL COMPLIANCE REPORT

**GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408**

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

August 31, 2007

**The Honorable Mayor
Members of the City Council
Alpine City, Utah**

Council Members:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Alpine City, Utah, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements and have issued my report thereon dated August 31, 2007. As part of my audit, I have audited Alpine City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2007. The City received the following major State assistance programs from the State of Utah:

**"C" Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)**

My audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Compliance Audit Guide, including:

**Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property
Tax Limitations
Class C Road Funds**

**Special Districts
Other General Issues
Uniform Building Code Standards
Liquor Law Enforcement
Justice Court
Impact Fees
Asset Forfeiture**

The management of Alpine City is responsible for the City's compliance with all compliance requirements identified above. My responsibility is to express an opinion on compliance with those requirements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.

The results of my audit procedures disclosed one immaterial instance of noncompliance with the requirements referred to above which is described in the accompanying management letter. I considered this instance of noncompliance in forming my opinion on compliance, which is expressed in the following paragraph.

In my opinion, Alpine City, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2007.


Greg Ogden,
Certified Public Accountant

GOVERNMENT AUDITING STANDARDS REPORT

GREG OGDEN, CPA
1761 EAST 850 SOUTH
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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

August 31, 2007

Honorable Mayor
Members of the City Council
Alpine City, Utah

Council Members:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Alpine City, Utah (City), which collectively comprise the City's basic financial statements and have issued my report thereon dated August 31, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, Issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over financial reporting.

My consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. I consider internal control deficiencies #1 through #6 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.


My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alpine City, Utah's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to the City's management in the management letter dated August 31, 2007.

This report is intended solely for the information of the audit committee, the City's management, others within the organization, and the City Council and is not intended to be and should not be used by anyone other than these specified parties.


Greg Ogden
Certified Public Accountant

**ALPINE CITY, UTAH
MANAGEMENT LETTER
JUNE 30, 2007**

GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

August 31, 2007

Honorable Mayor
Members of the City Council
Alpine City, Utah

Council Members:

While planning and performing my audit of the basic financial statements of Alpine City, Utah (City) for the year ended June 30, 2007, I noted matters regarding compliance with requirements of the *Utah Code* and the City's internal control over financial reporting which need to be addressed by the City's management.

My findings from the audit are attached. I feel that Internal control findings #1 through #6 are significant deficiencies. If these weaknesses and deficiencies are left uncorrected, an unacceptable amount of errors could occur without detection.

This report is intended solely for the use of the management of Alpine City. However, this report is a matter of public record and its distribution is not limited.

By its nature, this report focuses on exceptions, weaknesses and problems. This focus should not be understood to mean that there are not also various strengths and accomplishments. I appreciate the courtesy and assistance extended to me by the personnel of the City during the course of my audit, and I look forward to a continuing professional relationship. I would be pleased to discuss any of these matters with you at your convenience and, if desired, to assist you in implementing any of these suggestions.



Greg Ogden,
Certified Public Accountant

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATE COMPLIANCE FINDING

FINDING - SEWER IMPACT FEES

The City is required to spend or encumber impact fees within six years of their collections. Sewer impact fees totaling \$436,034 were collected more than six years ago, but have not yet been spent. Cities are allowed to hold impact fees longer than six years if they identify in writing 1) an extraordinary and compelling reason why the fees should be held longer than six years, and 2) an absolute date by which the fees will be expended.

RECOMMENDATION

I recommend that a written justification for holding the impact fees longer than six years be prepared. Otherwise the fees should be refunded to those from whom they were collected.

RESPONSE - ALPINE CITY

There is \$436,034 in Sewer Impact Fees that have not been spent or obligated within the six year limitation imposed by Section 11-36-301 and 11-36-302 of the Utah Code. These funds are for the Fort Canyon Sewer project as outlined in the Sewer Capital Facilities Plan. Section 11-36-302 requires that the fees be expended or "encumbered" within six years. Alpine City believed that these funds were encumbered by the obligation to the Illangani Annexation Agreement for the City to provide sewer. In addition funds for this project have obligated in the budget and the project has been designed and the bid documents prepared. The delay in constructing the project has been caused by unanticipated problems in reaching agreements with the property owners for the rights-of-way necessary for the project. The City has been negotiating with property owners for some time to acquire the necessary rights-of-way. These negotiations should be completed soon and the project will be completed by June 30, 2008.

INTERNAL CONTROL DEFICIENCIES

1 FINDING - POSTING DEBT-RELATED ADJUSTING ENTRIES

Management does not currently post debt-related adjusting entries in accordance with generally accepted accounting principles. The auditor, with oversight from management, recommends adjusting entries to the City to record the principal and interest payments accurately.

RECOMMENDATION

Management should receive training on posting debt-related activity.

RESPONSE - ALPINE CITY

The City will schedule training on posting of debt-related activity.

2 FINDING - DRAFT FINANCIAL STATEMENTS

The City does not have an employee with the expertise to draft the City's basic financial statements and related footnotes. The auditor, with oversight from management, drafts the financial statements and footnotes. Management then reviews, approves and accepts responsibility for financial statements.

RECOMMENDATION

Management should try to gain as much expertise as possible regarding the preparation of financial statements and footnotes to ensure that they are qualified to review, approve and accept responsibility for the financial statements.

RESPONSE - ALPINE CITY

Management will gain expertise in the preparation of financial statements and footnotes to ensure they are qualified to review, approve, and accept responsibility for the financial statements.

3 FINDING - ALLOCATION OF ACCOUNTS PAYABLE TO THE CORRECT FUNDS

The accounting software used by the City currently posts all accounts payable activity in the general fund, regardless of the fund for which the related expense is incurred.

RECOMMENDATION

The City's accounting software has the capability to record accounts payable in the fund in which the expense has been incurred. You may want to contact your software provider to have them adjust your program so that it records accounts payable correctly. Alternatively, at year-end, you could post adjusting entries allocating the accounts payable to the correct funds.

RESPONSE - ALPINE CITY

The City will contact the software provider and have them adjust the program so it records accounts payable correctly.

4 FINDING - ADJUSTMENTS TO ACCRUAL BASIS ACCOUNTING

Management does not currently post year-end adjusting entries necessary to adjust the financial statements to accrual basis accounting. For example, entries are not posted to reverse prior year and accrue the current year accounts receivable. The auditor, with oversight from management, recommends adjusting entries to the City to adjust the financial statements to accrual basis accounting.

RECOMMENDATION

Management should receive training on posting year-end accrual basis adjusting entries.

RESPONSE - ALPINE CITY

Management will receive training on posting year-end accrual basis adjusting entries.

5 FINDING - ADJUSTMENTS FOR EQUITY RESERVES

Management does not currently post year-end adjusting entries necessary to adjust the reserved equity accounts for the current year's activity. For example, entries are not posted to adjust the Class C Roads and various impact fee equity reserves to the correct year-end balances. The auditor, with oversight from management, recommends adjusting entries to the City to adjust the reserved equity account for the current year's activity.

RECOMMENDATION

Management should receive training on posting reserved equity account adjusting entries.

RESPONSE - ALPINE CITY

Management will receive training in posting of reserved equity account adjusting entries.

6 FINDING - ADJUSTMENTS FOR FIXED ASSETS

Management does not currently post year-end adjusting entries necessary to capitalize fixed assets and adjust the depreciation expense and accumulated depreciation to match the depreciation schedules. The auditor, with oversight from management, recommends adjusting entries to the City to capitalize the fixed assets purchased during the year and to match the various funds' depreciation amounts to the depreciation schedules.

RECOMMENDATION

Management should receive training on posting fixed asset and depreciation adjusting entries.

RESPONSE - ALPINE CITY

Management will receive training on posting fixed asset and depreciation adjusting entries.